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DRAFT STANDARD TERMS OF EXPLORATION CONTRACT

In consideration of their mutual interest in the conduct of exploration activities in the exploration area pursuant to the Convention and the Agreement, the responsibility of the Authority to organize and control activities in the Area, in particular with a view to administering the resources of the Area, in accordance with the legal regime established in Part XI of the Convention and the Agreement, the interest and financial commitment of the Contractor in conducting activities in the exploration area and the mutual covenants made herein, the International Seabed Authority (herein referred to as "the Authority") and _____ (herein referred to as "the Contractor") hereby agree as follows:

Section 1

Definitions

1.1 For the purposes of this Contract:

(a) "Agreement" means the Agreement relating to the Implementation of Part XI of the United Nations Convention on the Law of the Sea of 10 December 1982;

(b) "Area" means the seabed and ocean floor and subsoil thereof, beyond the limits of national jurisdiction;

(c) "contract year" means a period beginning on the effective date and ending on an anniversary thereof;

(d) "coordinates" means the list of geographical coordinates of points in accordance with the most recent generally accepted international standard used by the Authority, which defines the exploration area from time to time subject to this Contract;

(e) "Convention" means the United Nations Convention on the Law of the Sea of 10 December 1982;

(f) "designated representative" means the person designated by the Contractor by notice to the Authority to represent it as its agent for the purposes of this Contract;

(g) "effective date" means the date on which this Contract enters into force in accordance with section III hereof;

(h) "exploration" means a search for polymetallic nodules in the Area, including estimation of the composition, sizes and distributions of polymetallic nodule deposits and their economic values, information gathering, analysis, testing of equipment, plant and pilot mining systems and the carrying out of studies of the environmental, technical, economic, commercial and other appropriate factors that must be taken into account in exploitation;

(i) "exploration area" means that part of the Area allocated to the Contractor for exploration, described in section 4.1 hereof, as the same may be reduced from time to time in accordance with this Contract and the Regulations;

(j) "programme of work" means the programme of work specified in schedule II hereto as the same may be adjusted from time to time in accordance with Section 4.6 hereof;

(k) "Regulations" means the rules, regulations, procedures, standards and guidelines adopted by the Authority from time to time and which are in effect at the date of entry into force of this Contract or which are anticipated thereunder or which may be incorporated into this Contract by written agreement or which may apply to this Contract as a consequence of a revision thereof;

(l) "Secretary-General" means the Secretary-General of the Authority.

1.2 This Contract includes the schedules to this Contract, which shall be an integral part hereof.

Section 2

Grant of rights

2.1 The Contractor shall have security of tenure and shall have the exclusive right to explore for polymetallic nodules in the exploration area in accordance with the terms and conditions of this Contract.

2.2 Nothing in this Contract shall be deemed to confer any right on the Contractor other than those rights expressly granted herein.

2.3 The Authority reserves the right to enter into contracts with respect to resources other than polymetallic nodules with third parties in the area covered by this Contract provided that such third party does not conduct its activities

in a manner that might interfere with the operations of the Contractor hereunder.

Section 3

Contract term

3.1 This Contract shall enter into force sixty days after the date upon which the Contractor's plan of work for exploration is approved by the Council and the Contractor has presented to the Secretary-General in writing the name and the address of its designated representative for purposes of section 21 hereof, whichever is the later, and shall remain in force for a period of fifteen years thereafter unless:

(a) the Contractor obtains a contract for exploitation in the exploration area that enters into force before the expiration of such period of fifteen years; or

(b) the contract is sooner terminated,

provided that the term of the contract may be extended in accordance with sections 3.2 and 13.2 hereof.

3.2 Upon application by the Contractor, not later than six months before the expiration of this Contract, this Contract may be extended for periods of not more than five years each on such terms and conditions as the Authority and the Contractor may then agree in accordance with the Regulations. Such extensions shall be approved if the Contractor has made efforts in good faith to comply with the requirements of this Contract but for reasons beyond the Contractor's control has been unable to complete the necessary preparatory work for proceeding to the exploitation stage or if the prevailing economic circumstances do not justify proceeding to the exploitation stage.

Section 4

Exploration

4.1 The exploration area shall be the area defined by the coordinates listed in schedule I hereto as reduced from time to time in accordance with this Contract and the Regulations.

4.2 The Contractor, by notice to the Authority, shall have the right at any time to renounce without penalty any part of its rights in the exploration area, provided that the Contractor shall remain liable for all obligations accrued prior to the date of such renunciation in respect of the area renounced.

4.3 The Contractor shall commence exploration in accordance with the time schedule stipulated in the approved plan of work and adhere to that schedule or any modification thereto approved by the Authority.

4.4 During the term of this Contract, the Contractor shall carry out the programme of work. In carrying out such work the Contractor shall spend in each contract year not less than the amount specified in schedule II hereto in actual and direct exploration expenditures.

4.5 The Contractor, with the consent of the Authority, which consent shall not be unreasonably withheld, may from time to time make such changes in the programme of work and the expenditures specified in schedule II hereto as may be necessary and prudent in accordance with good mining industry practice, and taking into account the prevailing global economic conditions.

4.6 Not later than ninety days prior to the expiration of each five-year period from the effective date, the Contractor and the Authority shall jointly undertake a review of the results of exploration activities under this Contract. Following such review such adjustments shall be made to the programme of work and the expenditures specified in schedule II hereto as the Contractor and the Authority agree are necessary in light of the review.

Section 5

Protection and preservation of the marine environment

5.1 The Contractor shall, in accordance with the Regulations, gather data and information as exploration activities progress and develop and shall establish environmental baselines against which to assess the likely effects of the Contractor's activities on the marine environment and also establish a programme to monitor and report on such effects.

5.2 In accordance with the Regulations, the Contractor shall, prior to the commencement of exploration under this Contract, submit to the Secretary-General a contingency plan, as provided for in the Regulations, to respond effectively to incidents that are likely to cause serious harm to the marine environment arising from the Contractor's activities in the exploration area.

5.3 The Contractor shall effectively monitor the effects on the marine environment of the programme of work in accordance with the Regulations. The Contractor shall cooperate with the Authority in the implementation of such monitoring.

5.4 The Contractor shall promptly report to the Secretary-General any incident arising from its activities that is likely to cause serious harm to the marine environment. Each such report shall contain the details of such incident, including, inter alia:

(a) the coordinates of the area affected or which can reasonably be anticipated to be affected;

(b) the description of the action being taken by the Contractor to prevent, contain, minimize and repair the serious harm to the marine environment;

(c) a description of the action being taken by the Contractor to monitor the effects of the incidents on the marine environment; and

(d) such supplementary information as may be required by the Secretary-General.

5.5 The Contractor shall comply with emergency orders and interim emergency orders issued by the Authority in accordance with the Regulations, to prevent serious harm to the marine environment, which may include orders to the Contractor to immediately suspend or adjust any activities in the exploration area.

5.6 If the Contractor does not promptly comply with an emergency order or an interim emergency order issued by the Authority to prevent any serious harm to the marine environment arising out of its activities in the exploration area, the Authority may take such reasonable measures as are necessary to prevent and contain, minimize or repair any such serious harm to the marine environment at the Contractor's expense. The Contractor shall promptly reimburse the Authority the amount of such expenses.

5.7 The Contractor shall, within ninety days of the end of each contract year, report to the Secretary-General on the implementation and results of the monitoring programme referred to in section 5.3 hereof and shall submit data and information in accordance with the Regulations.

5.8 Prior to the commencement of pilot mining and processing operations, the Contractor shall submit to the Secretary-General:

(a) a site-specific environmental impact statement based on available meteorological, oceanographic and environmental data collected during the preceding phases of exploration and containing data that could be used to establish an environmental baseline against which to assess the likely effect of the mining tests;

(b) an assessment of the effects on the marine environment of the proposed mining tests, especially of:

(i) the nodule collector in and near the mining tracks;

(ii) the sediment plumes on benthic life, and its food supply, away from the mining activity; and

(iii) the sediment plumes, their drifting and their effect on phytoplankton, zooplankton, fish larvae and other biota;

(c) a proposal for a monitoring programme to determine the effect on the marine environment of the equipment that will be used during the proposed mining tests.

Section 6

Training

6.1 Pursuant to annex III, article 15, to the Convention, the Contractor shall, prior to the commencement of exploration under this Contract, submit to the Secretary-General proposed training programmes for the training of personnel of the Authority and developing States, including the participation of such personnel in all of the Contractor's activities under this Contract.

6.2 The Contractor shall conduct training programmes in accordance with the specific programme for the training of personnel referred to in section 6.1 hereof approved by the Authority in accordance with the Regulations, which programme, as revised and developed from time to time, shall become a part of this Contract as schedule III.

6.3 The cost of such training shall be borne by the Contractor.

Section 7

Transfer of data and information

7.1 The Contractor shall transfer data and information in respect of the exploration area to the Authority in accordance with the Regulations and the programme of work at the time intervals specified therein.

7.2 Data so transferred that are proprietary may only be used by the Authority as necessary for and relevant to the effective exercise of the powers and functions of the principal organs of the Authority in respect of the exploration area.

7.3 Data necessary for the formulation of regulations concerning protection and preservation of the marine environment and safety, other than equipment design data, shall not be deemed proprietary.

7.4 All data and information submitted or transferred in accordance with this Contract shall be treated as confidential and, except for proprietary information, shall become the property of the Authority.

Section 8

Books and records

The Contractor shall keep a complete and proper set of books, accounts and financial records and shall prepare and submit reports in accordance with the Regulations.

Section 9

Reporting

9.1 The Contractor shall, within ninety days of the end of each contract year, submit a report to the Secretary-General covering its activities in the exploration area and containing all relevant data and information relating to:

(a) details of all the exploration work carried out during the reporting period, including results of testing of technologies;

(b) the estimation of minable areas, which shall include details of the grade and quantity of the proven, probable and possible polymetallic nodule reserves and the anticipated mining conditions;

(c) details of the equipment used to carry out the exploration work;

(d) the results of observations, measurements, evaluations and analyses of environmental parameters for the area;

(e) the implementation of training programmes, including any proposed revisions to or developments of such programmes;

(f) proposed adjustments to the programme of work and the reasons for such adjustments.

9.2 Each such report shall be accompanied by the following:

(a) a list describing each location where a mineral sample was taken, each location where a geoscientific profile was taken and the depth of water at each place where exploration work was carried out;

(b) a chart of appropriate size and at a scale that allows the locations at which mineral samples and geoscientific profiles were taken during the exploration work to be clearly identified;

(c) copies of the geological, geochemical and geophysical data, maps, logs and records necessary for determining the mineral prospects in the Contractor's exploration area, and information on the technical and economic parameters utilized by the Contractor in its determination of the mineral prospects in the course of carrying out its programme of work;

(d) a statement of the quantity of polymetallic nodules recovered as samples or for the purpose of testing;

(e) a statement, certified by an internationally recognized firm of public accountants, of the actual and direct exploration expenditures of the Contractor in carrying out the programme of work during the reporting period.

9.3 The Contractor shall also submit additional reports to the Authority in such form, in such detail and at such times as the Authority may from time to time reasonably require.

9.4 The Contractor shall deliver to the Authority upon request and without charge, copies of any additional data or reports obtained or compiled by the Contractor including interpretations as a result of its operations under this contract.

9.5 The Contractor shall keep, in good condition, a representative portion of every sample obtained in the course of exploration until the expiration of the programme of work. The Authority may request the Contractor in writing to deliver to it for analysis a portion of any sample obtained during the course of exploration.

Section 10

Undertakings by the Contractor

10.1 The Contractor shall carry out exploration in accordance with the terms and conditions of this Contract, the Regulations, Part XI of the Convention, the Agreement and other rules of international law not incompatible with the Convention.

10.2 The Contractor undertakes:

(a) to accept as enforceable and comply with the applicable obligations created by the provisions of the Convention and the Regulations, the decisions of the organs of the Authority and the terms of this Contract;

(b) to accept control by the Authority of activities in the Area, as authorized by the Convention; and

(c) to fulfil its obligations under this Contract in good faith.

10.3 The Contractor shall actively carry out the programme of work:

(a) with due diligence, efficiency and economy;

(b) with due regard to the impact of its activities on the marine environment;

(c) with reasonable regard for other activities in the marine environment;

(d) observing sound technical, engineering and safety procedures and practices;

(e) using effective equipment, machinery, methods and materials; and

(f) to avoid wastage of the polymetallic nodules in the Area and with due regard for their conservation.

10.4 The Authority, upon satisfactory completion of the Contractor's obligations under this Contract, shall issue a certificate of compliance to the Contractor.

Section 11

Inspection

11.1 The Contractor shall permit the Authority to send its inspectors on board vessels and installations used by the Contractor to carry out activities in the exploration area in order to:

(a) ensure compliance with the terms and conditions of this Contract and the Regulations; and

(b) monitor the effects of such activities on the marine environment.

11.2 The Secretary-General shall give reasonable notice to the Contractor of the projected time and duration of inspections and any activities the inspector is to perform that are likely to require the availability of special equipment or special assistance from personnel of the Contractor.

11.3 Such inspectors shall have the authority to inspect any vessel or installation, including its log, equipment, records, facilities, all other recorded data and any relevant documents that are necessary to monitor the Contractor's compliance.

11.4 The Contractor, its agents and employees, shall assist the inspectors in the performance of their duties and shall:

(a) accept and facilitate prompt and safe boarding of vessels and installations by inspectors;

(b) cooperate with and assist in the inspection of any vessel or installation conducted pursuant to these procedures;

(c) provide access to all relevant equipment, facilities and personnel on vessels and installations at all reasonable times;

(d) not obstruct, intimidate or interfere with inspectors in the performance of their duties;

(e) provide reasonable facilities, including, where appropriate, food and accommodation, to inspectors; and

(f) facilitate safe disembarkation by inspectors.

11.5 Inspectors shall avoid interference with the safe and normal operations on board vessels and installations used by the Contractor to carry out activities in the area visited and shall act in accordance with measures adopted to protect confidentiality of data and proprietary information.

Section 12

Responsibility and liability

12.1 The Contractor shall be liable for the actual amount of any damage, including damage to the marine environment, arising out of its wrongful acts or omissions, and those of its employees, subcontractors, agents and all persons engaged in working or acting for them in the conduct of its operations under this Contract, including the costs of reasonable measures to prevent or limit damage to the marine environment, account being taken of any contributory acts or omissions by the Authority.

12.2 The Authority shall be liable for the actual amount of any damage to the Contractor arising out of wrongful acts in the exercise of its powers and functions, including violations under article 168, paragraph 2, of the Convention, account being taken of contributory acts or omissions by the Contractor.

12.3 The Contractor shall indemnify the Authority, its employees and agents, against all claims and liabilities of any third party arising out of any wrongful acts or omissions of the Contractor and its employees, agents and subcontractors, in the conduct of its operations under this Contract.

12.4 The Contractor shall maintain such insurance policies with internationally recognized carriers, in such form, against such risks and in such amounts as the Authority may reasonably require.

Section 13

Force majeure

13.1 The Contractor shall not be liable for an unavoidable delay or failure to perform any of its obligations under this Contract due to force majeure. For purposes of this Contract, "force majeure" shall mean an event or condition that the Contractor could not reasonably be expected to prevent or control, provided that the event or condition was not caused by negligence or by a failure to observe good mining industry practice.

13.2 The Contractor shall be granted a time extension equal to the period by which performance was delayed hereunder by force majeure and the term of this Contract shall be extended accordingly.

13.3 In the event of force majeure, the Contractor shall take all reasonable measures to remove its inability to perform and comply with the terms and conditions of this Contract with a minimum of delay, provided that the Contractor shall not be obligated to resolve or terminate any labour dispute or any other disagreement with a third party except on terms satisfactory to it or pursuant to a final decision of any agency having jurisdiction to resolve the dispute.

13.4 The Contractor shall give notice to the Authority of the occurrence of an event of force majeure as soon as reasonably possible, and similarly give notice to the Authority of the restoration of normal conditions.

Section 14

Disclaimer

Neither the Contractor nor any affiliated company or subcontractor shall in any manner claim or suggest, whether expressly or by implication, that the Authority or any official thereof has, or has expressed, any opinion with respect to polymetallic nodules in the exploration area and a statement to that effect shall not be included in or endorsed on any prospectus, notice, circular, advertisement, press release or similar document issued by the Contractor, any affiliated company or any subcontractor that refers directly or indirectly to this Contract. For the purposes of this section an "affiliated company" means any person, firm or company or State-owned entity controlling, controlled by, or under common control with, the Contractor.

Section 15

Renunciation

The Contractor, by notice to the Authority, shall have the right to renounce its rights and to terminate this Contract without penalty, provided that the Contractor shall remain liable for all obligations accrued prior to the date of such renunciation and those obligations required to be fulfilled after termination in accordance with the Regulations.

Section 16

Suspension and termination

16.1 If the nationality or control of the Contractor changes or the Contractor's sponsoring State, as defined in the Regulations, terminates its sponsorship, the Contractor shall promptly notify the Authority forthwith.

16.2 In either such event, if the Contractor does not obtain another sponsor meeting the requirements prescribed in the Regulations who submits to the Authority a certificate of sponsorship for the Contractor in the prescribed form within the time specified in the Regulations, this Contract shall terminate forthwith.

16.3 The Authority may by notice suspend or terminate this Contract, without prejudice to any other rights that the Authority may have, if any of the following events should occur:

(a) if, in spite of written warnings by the Authority, the Contractor has conducted its activities in such a way as to result in serious persistent and wilful violations of the fundamental terms of this Contract, Part XI of the Convention, the Agreement and the Regulations of the Authority; or

(b) if the Contractor has failed to comply with a final binding decision of the dispute settlement body applicable to it; or

(c) if the Contractor becomes insolvent or commits an act of bankruptcy or enters into any agreement for composition with its creditors or goes into liquidation or receivership, whether compulsory or voluntary, or petitions or applies to any tribunal for the appointment of a receiver or a trustee or receiver for itself or commences any proceedings relating to itself under any bankruptcy, insolvency or readjustment of debt law, whether now or hereafter in effect, other than for the purpose of reconstruction.

16.4 The suspension or termination shall be effective sixty days after such notice, unless the Contractor within such period disputes the Authority's right to suspend or terminate this Contract in accordance with Part XI, section 5, of the Convention.

16.5 If the Contractor takes such action, this Contract shall only be suspended or terminated in accordance with a final binding decision in accordance with Part XI, section 5, of the Convention.

16.6 If the Authority has suspended this Contract, the Authority may by notice require the Contractor to resume its operations and comply with the terms and conditions of this Contract, not later than sixty days after such notice.

16.7 In the case of any violation of this Contract not covered by section 16.3 (a) hereof, or in lieu of suspension or termination under section 16.3 hereof, the Authority may impose upon the Contractor monetary penalties proportionate to the seriousness of the violation.

16.8 In the event of termination, suspension or expiration of this Contract, the Contractor shall comply with the Regulations and shall remove all installations, plant, equipment and materials in the exploration area and shall make the area safe so as not to constitute a danger to persons, shipping or to the marine environment.

Section 17

Transfer of rights and obligations

17.1 The rights and obligations of the Contractor under this Contract may be transferred in whole or in part only with the consent of the Authority and in accordance with the Regulations.

17.2 The Authority shall not unreasonably withhold consent if the proposed transferee is in all respects a qualified applicant in accordance with the Regulations.

17.3 The terms, undertakings and conditions of this Contract shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

Section 18

No waiver

No waiver by either party of any breach of the terms and conditions of this Contract to be performed by the other party shall be construed as a waiver by the party of any succeeding breach of the same or any other term or condition to be performed by the other party.

Section 19

Revision

19.1 When circumstances have arisen or are likely to arise that, in the opinion of the Authority or the Contractor would render this Contract inequitable or make it impracticable or impossible to achieve the objectives set out in this Contract or in Part XI of the Convention or the Agreement, the parties shall enter into negotiations to revise it accordingly.

19.2 Except as otherwise provided, this Contract may be revised, amended or otherwise modified only with the consent of the Contractor and the Authority by an appropriate instrument signed by the authorized representatives of the parties.

Section 20

Disputes

Any dispute between the parties concerning the interpretation or application of this Contract shall be settled in accordance with Part XI, section 5, of the Convention.

Section 21

Notice

21.1 Any application, request, notice, report, consent, approval, waiver, direction or instruction hereunder shall be made by the Secretary-General or by the designated representative of the Contractor, as the case may be, in writing. Service shall be by hand, or by telex, facsimile or registered airmail to the Secretary-General at the headquarters of the Authority or to the designated representative.

21.2 Either party shall be entitled to change any such address to any other address by not less than ten days' notice to the other party.

21.3 Delivery by hand shall be effective when made. Delivery by telex shall be deemed to be effective on the business day following the day when the "answer back" appears on the sender's telex machine. Delivery by facsimile shall be effective when the "transmit confirmation report" confirming the transmission to the recipient's published facsimile number is received by the transmitter. Delivery by registered airmail shall be deemed to be effective twenty-one days after posting.

21.4 Notice to the designated representative of the Contractor shall constitute effective notice to the Contractor for all purposes under this Contract, and the designated representative shall be the Contractor's agent for the service of process or notification in any proceeding of any court or tribunal having jurisdiction.

21.5 Notice to the Secretary-General shall constitute effective notice to the Authority for all purposes under this Contract, and the Secretary-General shall be the Authority's agent for the service of process or notification in any proceeding of any court or tribunal having jurisdiction.

Section 22

Applicable law

22.1 The rights and responsibilities of the contracting parties with regard to the exploration area shall be governed solely by this Contract.

22.2 This Contract shall be governed by its terms, the Regulations, Part XI of the Convention, the Agreement and other rules of international law not incompatible with the Convention.

22.3 The Contractor, its employees, subcontractors, agents and all persons engaged in working or acting for them in the conduct of its operations under this Contract shall observe the applicable law referred to in section 22.2 hereof and shall not engage in any transaction, directly or indirectly, prohibited by the applicable law.

22.4 Nothing contained in this Contract shall be deemed an exemption from the necessity of applying for and obtaining any permit or authority that may be required for any activities under this Contract.

Section 23

Interpretation

The division of this Contract into sections and subsections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation hereof.

Section 24

Entire agreement

This Contract expresses the entire agreement between the parties, and no oral understanding or prior writing shall modify the terms hereof.

Section 25

Additional documents

Each party hereto agrees to execute and deliver all such further instruments, and to do and perform all such further acts and things as may be necessary or expedient to give effect to the provisions of this Contract.

IN WITNESS WHEREOF the undersigned, being duly authorized thereto by the respective parties, have signed this Contract at Kingston this _____ day of _____ 1997.

SCHEDULE I

[Coordinates of the exploration area]

SCHEDULE II

[Programme of work]

SCHEDULE III

[Training programme]